WASHINGTON POST ______
NEW YORK TIMES A9
WALL STREET J. ______
WASHINGTON TIMES ______
USA TODAY ______

DATE 10 AUG 90

55

Iraq-Bound Goods Seized at New York Ports

By The Associated Press

More than $3 million worth of aircraft spare parts, computers, satellite equipment and other hardware bound for Iraq or Kuwait was stopped at New York-area ports, officials said yesterday.

United States Customs Service officials began detaining the goods Sunday, the same day F.B.I. agents sealed Iraqi Airline offices in Manhattan, Detroit and Los Angeles, an F.B.I. spokesman, Joseph Valiquette, said.

Almost $1 million worth of goods was detained at Kennedy International Airport this week, said Ed Hotchkiss, chief inspector for the Customs Service's contraband enforcement team at the airport.

It included 960 barrels of jet fuel, 23 crates of military aircraft parts, 3 crates of radar equipment, 26 air-conditioning units and 21 boxes of personal computers. A small shipment of radios to Kuwait also was detained.

At Port Elizabeth, N.J., customs agents seized $2 million in American-made satellite equipment bound for Iraq, a Customs spokeswoman, Joan Baran, said. On Thursday, two shipments of equipment bound for Kuwaiti military bases were detained at the Port of Baltimore, a Customs spokesman, Pat O'Malley, said.

They consisted mostly of spare parts for the F-18 aircraft, parts for the Hawk and Sidewinder missiles and spare parts for guns, and furniture for military bases, he said.

WASHINGTON POST A30
NEW YORK TIMES
WALL STREET J.
WASHINGTON TIMES
USA TODAY
DATE 10 AUG 90

STAT

Resolution Says Iraq Must Reverse Step

Reuter

UNITED NATIONS, Aug. 9—*The following is the text of a U.N. Security Council resolution declaring Iraq's annexation of Kuwait null and void. It was adopted today by all 15 council members and was the third council resolution on Iraq in a week. Resolution 660 Aug. 2 condemned the invasion and Resolution 661 Aug. 6 imposed worldwide economic sanctions:*

RECALLING its resolutions 660 and 661 (1990);

GRAVELY alarmed by the declaration by Iraq of a "comprehensive and eternal merger" with Kuwait;

DEMANDING, once again, that Iraq withdraw immediately and unconditionally all its forces to the positions in which they were located on 1 August 1990;

DETERMINED to bring the occupation of Kuwait by Iraq to an end and to restore the sovereignty, independence and territorial integrity of Kuwait;

DETERMINED also to restore the authority of the legitimate Government of Kuwait;

[The U.N. Security Council]

1. DECIDES that annexation of Kuwait by Iraq under any form and whatever pretext has no legal validity, and is considered null and void;

2. CALLS UPON all states, international organizations, specialized agencies not to recognize that annexation, and to refrain from any action or dealing that might be interpreted as an indirect recognition of the annexation;

3. FURTHER DEMANDS that Iraq rescind its actions purporting to annex Kuwait;

4. DECIDES to keep this item on its agenda and to continue its efforts to put an early end to the occupation.

DATE 10 AUG 90

STAT

WASHINGTON POST ______
NEW YORK TIMES ______
WALL STREET J. ______
WASHINGTON TIMES C10
USA TODAY ______

Kuwaiti-linked firms plead for U.S. status

By Karen Riley
THE WASHINGTON TIMES

The U.S. Treasury Department is swamped with requests from companies with ties to Kuwait asking permission to continue to do business as usual in the United States, according to Treasury officials.

A week ago President Bush froze Kuwaiti bank and securities assets in the United States to prevent their seizure by Iraq.

Subsequent rules issued by the department barred any U.S. company controlled by the government of Kuwait from doing even such mundane things as writing payroll checks or paying suppliers until they had registered with the agency's Office of Foreign Assets Control.

Since then, officials in the foreign assets office have been working night and day to process the registration forms, Treasury spokesman Barbara Clay said.

On Tuesday, the Treasury issued a general license allowing six companies to draw on their checking accounts. The companies include Santa Fe International, a billion-dollar contract drilling company based in Alhambra, Calif.; Georgetown Industries, a Charlotte, N.C., wire rod manufacturing company that employs 2,800 workers; Fosterlane Holdings Corp.; Crescent Holdings Inc.; Wafra Intervest Corp. of the Cayman Islands; and KFIC Inc.

No further information was immediately available on the last four concerns. Hundreds of requests are still pending.

Financial analysts say it is impossible to assign an exact estimate on Kuwait's foreign holdings, given the nation's low-key investment profile. But most generally estimate its worth to be more than $100 billion.

As much as $50 billion could be in the United States and another $25 billion to $50 billion might be in Britain, where both the Kuwait Investment Office and the Kuwaiti Investment Authority are located.

Some experts believe Kuwait has a less than 5 percent interest in a number of U.S. companies and also holds real estate.

The Kuwait Investment Office last year held a 45 percent interest in two luxury hotels in Phoenix owned by Crescent Holdings Inc. The remaining 55 percent was held, through subsidiaries, by Charles Keating's Lincoln Savings and Loan before federal authorities seized it in November 1989 and ousted the management.

Meanwhile, Kuwait's government-in-exile moved its oil operations to Britain yesterday after assurances from the United States and other governments that its companies abroad will be exempt from a freeze on Kuwaiti assets.

The Treasury's vague freeze order has raised a lot of questions for companies and banks, according to Fred W. Reinke in the Washington law office of Milbank, Tweed, Hadley & McCloy.

For example, he asked: "What is a controlled entity? Is 30 percent still controlling? If they have minority veto power, do they control?

"We await guidance from Treasury. All are difficult issues that are not easily answered," Mr. Reinke said.

On Sunday, Richard Newcomb, the department's director of foreign assets control, sent a letter to the Federal Reserve Bank of New York spelling out how to handle checks and other items drawn by various Kuwaiti banks.

WASHINGTON POST F1
DATE 10 AUG 90

STAT

Iraq Embargo a Legal Tangle

Lawyers Wrestle With Questions Surrounding the Asset Freeze

By Sharon Walsh
and Saundra Torry
Washington Post Staff Writers

A weary John Ellicott rubbed his eyes and said he hoped things settled down so that he could take a scheduled vacation next week. But the prospects don't look good for Ellicott, an attorney at the Washington law firm of Covington & Burling, or for other lawyers like him who've spent the week fielding calls from clients who do business with Iraq or Kuwait.

Can a container ship off the coast of Texas with a shipment of crude oil purchased from Iraq prior to the embargo be unloaded? If a bank has issued a letter of credit for goods from Kuwait, should the bank pay into a blocked account? If the U.S. Customs Service has seized an Iraqi cargo intended for a U.S. company, how does the company document its right to the goods?

Attorneys in Washington and New York have spent their days and nights dealing with such questions since President Bush issued two executive orders last week that placed a protective freeze on Kuwaiti assets and embargoed all trade with Iraq.

"There's a lot to be done," said Ellicott, who along with other attorneys and staff worked through the weekend at Covington's Pennsylvania Avenue offices. "I guess we're getting 20 to 30 calls a day on behalf of 30 to 40 clients."

Big money-center banks, oil companies, petrochemical concerns, foreign exchange traders and essentially anyone who does business with Kuwait or Iraq is walking on eggshells trying to figure out what they can and cannot do in light of the president's action.

Most attorneys are counseling caution, yet they admit that it's hazardous no matter what they do.

"If you end up freezing something that shouldn't be, you'll probably be sued," said Victor DeSantis, an attorney at the Washington office of New York's White & Case. "If you don't freeze something, you could be sued by the government. So there's going to be lots of good litigation either way."

One of the difficulties for legal experts attempting to help clients navigate the uncertain seas of a new presidential embargo is that, while the orders are broad, the specific regulations governing them have not yet been formulated.

The writing of those regulations is done by the Office of Foreign Assets Control (OFAC), an arm of the Treasury Department with about 40 employees who are charged with implementing and enforcing sanctions. "We hope to have them as soon as possible, but we don't have a target date," a Treasury spokesman said.

Over the last week, while lawyers were answering questions from corporate clients, OFAC was responding to the lawyers' questions and, in some cases, ruling on exceptions to the freezes. Though there are no regulations, lawyers say there are some precedents for them to follow as they guide clients.

There have been numerous embargoes dating back to the early 1900s, including those with Cuba, Iran and Libya. But each of those has had its own specific quirks. The present situation is complicated because there really are two embargoes: for Iraq, a complete trade embargo and assets freeze that is punitive; for Kuwait, a freeze that is designed to protect its assets from Iraq.

In the early stages of any embargo, much of the legal effort is focused on determining the effect on transactions already begun but not completed. In many of those cases, the Treasury Department allows the entities to complete the transaction because otherwise it would injure an innocent party.

Banks in general are affected by incomplete transactions: securities purchases and sales, money transfers and foreign exchange trades where one step was taken before the freeze and the other is left hanging, according to John E. Hoffman, an attorney at New York's Shearman & Sterling and counsel to Citibank.

"Banks need to know whether they can release funds or whether they have to sit on them," said DeSantis. "Are they somehow exempt from the president's orders? Banks have been through this wringer before."

Another problem area is foreign exchange markets. One lawyer said there is "gridlock" in the particular sector that depends on the receipt of Iraqi and Kuwaiti currencies.

Banks like Citibank, Chase Manhattan, Chemical Bank and Bank of America each trade several hundred million dollars each day that might involve Kuwait. "Everybody is talking to Treasury" to figure out what to do, said the attorney.

But after the initial flurry over Kuwait and Iraq, the activity should settle down, said Thomas M. Dyer, an international maritime attorney with Washington's Dyer, Ellis, Joseph & Mills.

"The next problem will be new projects," said Dyer. "But with the situation now, nobody expects there to be any new projects."

U.S. ECONOMIC SANCTIONS

■ **Cuba, Cambodia, Vietnam, North Korea:** Full embargo on all trade and financial transactions under the Trading With the Enemy Act. All business is forbidden.

■ **Libya:** Full embargo on all trade and financial transactions under the International Emergency Economic Powers Act.

■ **South Africa:** Limited bans on trade and investment and banking transactions under the Comprehensive Anti-Apartheid Act.

■ **Iran:** Government assets blocked under the International Emergency Economic Powers Act pending legal resolution of certain claims against the assets. Full import embargo.

■ **Iraq:** Government assets blocked and trade and financial transactions embargoed under the International Emergency Economic Powers Act.

■ **Kuwait:** Protective blocking of government assets under International Emergency Economic Powers Act.

NOTE: Individuals or businesses can apply for exceptions to the sanctions.
SOURCE: Department of Treasury